



# CALIFORNIA Economic Indicators

January–February 2005

## Off to a Good Start

2005 begins with labor market improvements and record setting home sales and prices.

### ■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

California began 2005 with mostly positive economic news. Employment grew in January and February. Housing markets set new sales and price records in January, while home building activity slowed.

### Employment

On the surface, news from the labor market has been good so far in 2005. The unemployment rate declined while industry employment rose. The latest employment reports, however, introduced a host of methodological and definitional changes implemented by the Bureau of Labor Statistics, designed to better identify changes in the economy on a real time basis and incorporate 2000 Census data. Starting with data released in February, the reports reflected the effects of the annual benchmark revisions to the payroll survey, a new methodology for the household survey (used to estimate state and local unemployment rates), and new definitions for metropolitan areas. According to these new estimates, job growth was stronger in 2004 than initially thought and more like that in the rest of nation. (The next issue of this publication will include a review of these changes and their effect on the historical record).

The revised employment series show that the state had 76,600 more jobs in December 2004 than reported earlier. That boosted the average monthly job gain in 2004 to 21,000, considerably more than the 12,700 average monthly gain previously reported.

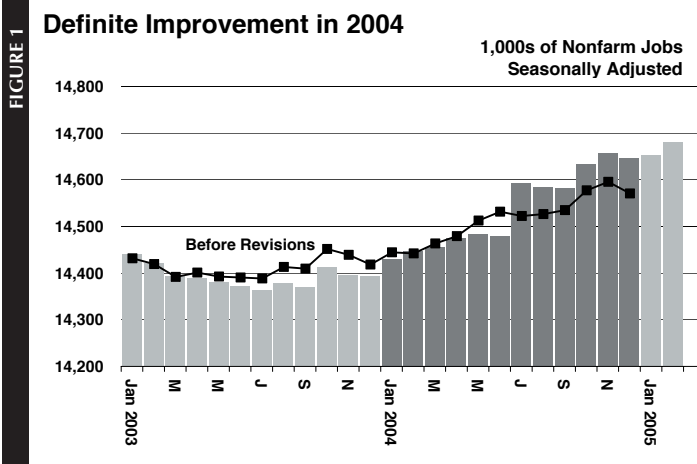
The most recent labor market report showed that California's nonfarm payroll employment rose by 27,600 jobs in February, just shy of the state's share of the 262,000 jobs gained in the nation. However, the state's gain in nonfarm payroll in January was revised down from 20,000 to 8,500.

Seven of the 11 major industry sectors gained jobs in February. Leading the way was Construction with a gain of 10,700. Close behind were Professional and Business Services and Information, each gaining 9,200 jobs. In addition, employment rose by 2,100 in Other Services; 1,900 in Government; 700 in Educational and Health Services; and 100 in Natural Resources and Mining.

Employment fell by 3,200 in Trade, Transportation, and Utilities; 2,300 in Manufacturing; and 800 in Leisure and Hospitality in February. Employment was unchanged in Financial Activities.

### INSIDE

2005–2006 Economic Outlook . . . .	3
Economic Indicator Tables . . . . .	8
Economic Indicator Charts . . . . .	12
Business Cycles. . . . .	16
Chronology . . . . .	17



From February 2004 to February 2005, nonfarm payroll jobs rose by 234,500, or 1.6 percent. This is a considerable improvement over the 12 prior months, when nonfarm payroll employment fell by 24,900. For the nation as a whole, payroll employment increased by 1.8 percent in the most recent 12 months.

Over the year, employment was up by 63,800 in Professional and Business Services; 53,100 in Construction; 36,900 in Leisure and Hospitality; 36,300 in Trade, Transportation, and Utilities; 25,500 in Educational and Health Services; 23,800 in Financial Activities; 6,400 in Other Services; and 6,200 in Manufacturing.

Over the year, employment fell by 11,300 in Government; 6,000 in Information; and 200 in Natural Resources and Mining.

### Uncertainty over civilian employment

The state's unemployment rate held steady at 5.8 percent in February, unchanged from the revised rate in January, and down 0.6 percentage point from one year ago. By comparison, the U.S. unemployment rate was 5.4 percent in February, up 0.2 percentage point from the rate in January, and down 0.2 percentage point from one year ago. The gap between the state and national rates has closed steadily since January 2003, when the state's rate exceeded the nation's by 1.1 percentage points.

The data for February, however, shows an unusually large increase in civilian employment of 128,000. It is unclear how much of this gain is attributable to the new Bureau of Labor Statistics methodology and how much to actual job creation over the month. In the past, however, large changes have often been whittled down in subsequent revisions. For example, the gain in civilian employment in January 2004 was initially reported as 132,000, but was eventually revised down to 36,000.

## Building Activity

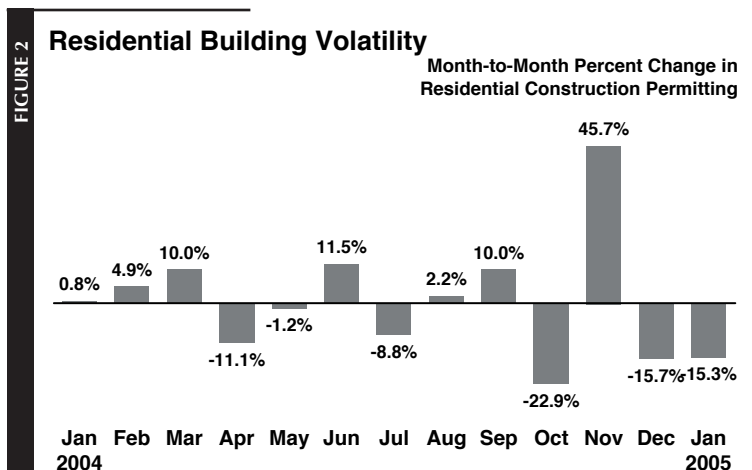
### Volatile home building

Residential construction permitting was unusually volatile during the final months of 2004. A slow-down in October was followed by a surge in November that gave way to another slowdown in December. Most of the volatility was in multifamily permitting. Despite these fluctuations, residential construction growth was stronger during the final three months than earlier in the year. The pace of residential permitting from October through December was over 11 percent greater than during the corresponding months of 2003. The pace during the first nine months of the year was only 6.4 percent ahead of the same months of 2003. For the year as a whole, residential construction permitting increased 7.6 percent from 2003.

Unfortunately, 2005 was ushered in with another decline. Total residential permitting slowed by over 15 percent in January. Permits were issued at a seasonally adjusted annual rate of 182,000 residential units in January. This is not an unqualified bad omen, as most of the loss was accounted for by the typically volatile multifamily sector.

### Offices lead the way

Nonresidential construction picked up in 2004. For the year as a whole, the value of nonresidential construction permits issued rose by over 12 percent. All but one building category (service stations) achieved commendable growth. Dramatic improvements in office and store construction, as well as alterations and additions, were the principal drivers. Office building permit issuances—which account for nearly 12 percent of overall nonresidential construction—rose by over 43 percent.



The value of total nonresidential building permits issued in January 2005 was 13.2 percent higher than a year earlier. The gain was concentrated in permitting for new industrial, new retail and other mercantile buildings, and alterations and additions.

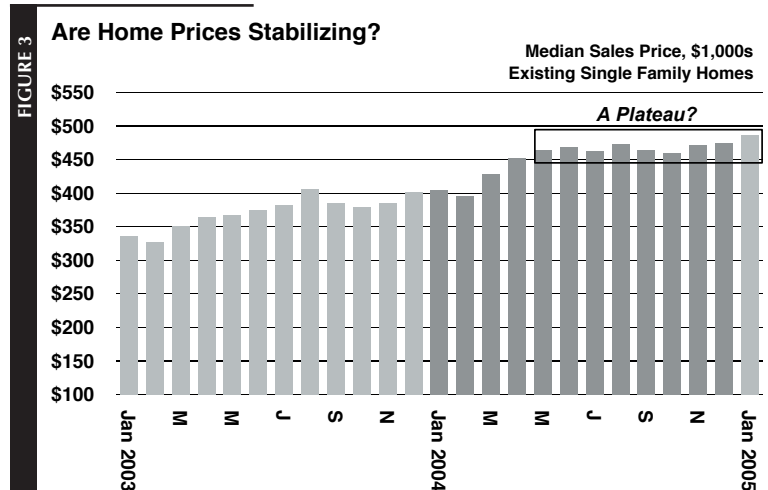
## Real Estate

### Some stability for home prices?

The median price of existing single-family detached homes sold in California rose more than \$11,000 in January to \$485,700—a new record and 20.1 percent higher than the median price in January 2004, according to the California Association of Realtors.

Sales of existing single-family detached homes sold in California reached a seasonally adjusted annual rate of 659,410 units in January—also a new record.

Dramatic year-over-year price gains belie an underlying stability in California home prices. For 2004 as a whole, California home prices rose nearly 22 percent over 2003. Much of that gain is attributable to a weak beginning to 2003 and to significant month-over-month gains made in March and April of 2004. During the first four months of 2004, month-to-month price gains averaged 3.1 percent. During the final eight months, they averaged only 0.6 percent.



## 2005–2006 ECONOMIC OUTLOOK

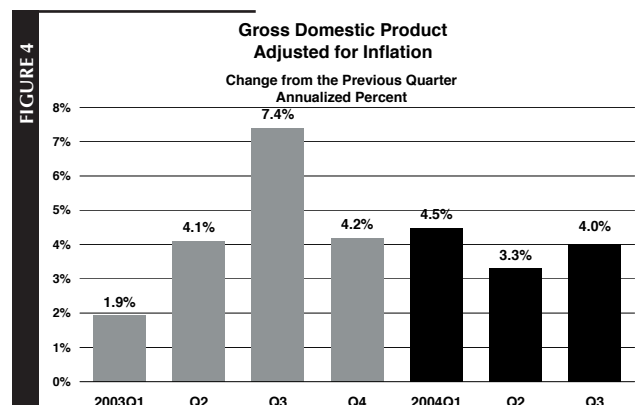
*The following is from the Governor's 2005-06 Budget. The forecasts were prepared in late November 2004 and are based on information available at that time.*

The national and California economies improved considerably in 2004. Output of the national economy grew at almost its fastest rate in 20 years. Personal income and taxable sales growth picked up significantly in California, and state exports rebounded. Labor markets strengthened in both the State and the nation. Output of the national economy will grow somewhat slower in 2005 and 2006 but still be sufficient to build on the improvement made in labor markets in 2004. In addition, growth in personal income and wages and salaries, in both the State and the nation, will remain near the improved levels seen in 2004, as increased competition for workers results in bigger raises and bonuses.

### The Nation—A Maturing Recovery

Output of the national economy grew more quickly and labor markets improved in 2004 despite soaring energy prices, the waning of the fiscal stimulus of the federal tax cuts of the prior three years, and tightening monetary policy. To be sure, increased federal spending gave the economy a boost, as did historically low mortgage rates and other long-term interest rates. But the economy's ability to sail through strong headwinds in 2004 is the best evidence yet that the economic recovery from the 2001 recession is now sustainable. What has brought this about is an increasingly balanced mix of growing consumer spending, business investment, federal government spending, and exports.

The fast economic growth in 2004 also means, however, that the initial phase of the economic expansion is over and that the strongest growth of the recovering economy might well be behind it. In fact, signs coming from the economy near the end of 2004 hinted that growth was slowing as 2005 neared.



Output growth of 4 percent in the third quarter of 2004, however, was more than enough to lock in annual average growth of above 4 percent for the year (Figure 4).

Consumer spending made the greatest contribution to third-quarter output growth, expanding by over 5 percent on an annualized basis. Strong yet volatile, motor vehicle sales drove growth of durable goods expenditures above 17 percent. Spending on consumer nondurables also grew rapidly at almost 5 percent. Such strong consumer spending is quite remarkable, given the modest employment growth that accompanied it. As a result, the personal savings rate fell to a record quarterly low, and consumers' debt burden increased from already worrisome levels. The 2004 holiday shopping season will be closely watched for indications about the resiliency of consumer spending going forward.

Industrial production made a dramatic improvement in 2004. After slowing in both 2002 and rising only slightly in 2003, the nation's index of industrial output grew by over 4 percent in 2004. Rising high technology output led the expansion, a good sign for California. Capacity utilization also increased in 2004.

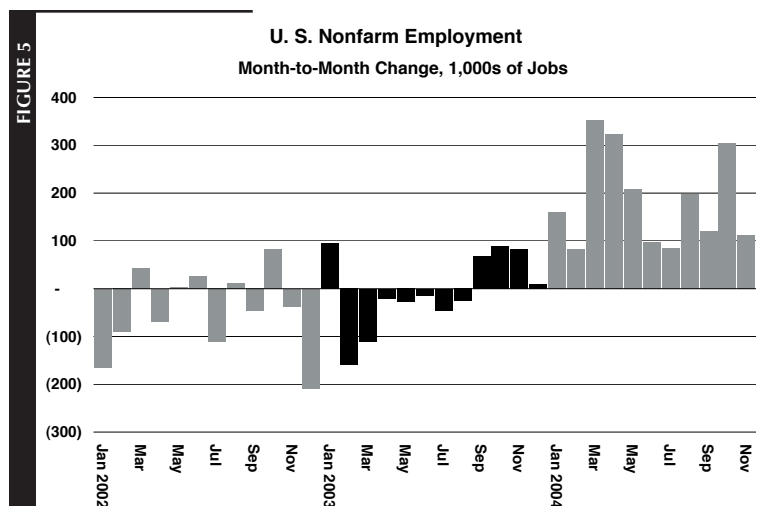
The continued rebound in business investment played a big role in the strong expansion of the national economy in 2004. Business investment was nearly 14 percent higher in the first three quarters than in the corresponding quarters of 2003. Information processing equipment and software investments led the way, expanding over 17 percent in the first three quarters of 2004.

Low mortgage interest rates had an outsized impact on real estate and residential construction markets. Home mortgage interest rates below six percent sustained robust home sales and, thus, home construction. Sales of existing homes equaled or exceeded 6 million units every month in 2004 through October. New home sales averaged over 1.1 million units in 2004, a nearly 8 percent increase from 2003. This strong demand generated a greater than 5 percent increase in new housing starts, resulting in the strongest home building pace since 1978.

International markets brought mixed news for the nation. Rising exports were good news for many producers, especially high technology suppliers. Exports of goods and services expanded about 13 percent, a healthy improvement on the 4.6 percent gain in 2003. Import growth, however, outstripped the improvement in exports. Driven by an improving economy, and to a significant degree, by rising oil prices, the nation's appetite for imports expanded over 17 percent, resulting in a record trade deficit for the year. The nation's monthly trade deficit worsened to over \$53 billion during the final months of 2004. The average monthly deficit in 2003 was \$41 billion.

Job creation improved in 2004, although it was lower than what was seen in past economic recoveries when output growth was as strong. The resiliency of the economic recovery was in doubt until the nation started stringing together monthly job gains in September 2003. After losing an average of 5,000 jobs each month in 2003, the nation added a monthly average of about 185,000 jobs during the first 11 months of 2004 (Figure 5), somewhat better than what is needed for labor markets to improve. Construction, professional and business services, education, and the public sector provided most of the job gains. Strong output growth achieved with only modest job growth meant that labor productivity growth was substantial. Business productivity grew an average of 4.5 percent during the first three quarters of 2004, very strong by historical standards. This improvement should have many long-term benefits.

As 2004 drew to a close, a number of forward-looking indicators sounded cautionary signals. The Index of Leading Indicators fell at a 3 percent year-over-year pace during the final months of the year. This is a sharp turnaround from the extremely strong improvements made at the beginning of the year. Weakening consumer expectations, slower vendor deliveries, and shorter factory workweeks were the principal causes. Consumers became more sanguine about the near future as indicated by





a rise in the Consumer Confidence Index during the final month of the year, following a decline in the preceding months. The demand for factory output leveled off late in the year, in contrast to the exceptional growth that characterized 2003 and early 2004. New orders for factory goods, which grew by about a 9 percent annual rate at the beginning of the year, were expanding by less than 1 percent by the end of the year.

Looking forward, the economy will continue to grow, but more modestly. Real Gross Domestic Product growth will moderate to a still-healthy 3.3 percent pace in 2005 and to 3 percent in 2006, as consumer spending decelerates modestly as does the rate of growth in investment.

Inflation-adjusted consumer spending will expand by 2.9 percent in 2005, as compared to 3.6 percent in 2004. The fiscal stimulus from the three Bush Administration tax cuts has run its course. Rising interest rates will diminish home mortgage refinancing, which has been fueling strong consumer spending. Higher energy costs will also dampen consumption expenditures, though the downward turn at the end of the year was welcome.

A number of factors may work against business investment in 2005. The sunset at the end of 2004 of the federal accelerated depreciation allowance for equipment purchases accelerated some equipment purchases into 2004 that would have otherwise been made in 2005. Thus, equipment purchases will likely be somewhat depressed in early 2005, even though they will rebound by midyear. More generally, pressures on corporate profits, such as higher energy costs and rising labor costs—principally soaring health care benefits costs—will dampen business fixed investment growth. Furthermore, after two years of strong home building, rising mortgage interest rates should temper residential investment in 2005.

Better job gains are likely in store for 2005 and 2006. Nonfarm payroll employment should grow by about 2.2 million, or 1.7 percent, in 2005 and 1.6 million, or 1.2 percent, in 2006. Even though this will be a significant improvement on the 1 percent gain in 2004, it is modest compared to gains in most other post-World War II economic recoveries. Faced with rising benefits costs, employers will remain conservative about hiring. Furthermore, productivity gains will allow them to expand output without adding considerably to payrolls.

To be sure, things could turn out better than expected. A steep drop in oil prices would give a considerable boost to the economy. A quick, dramatic improvement in conditions in Iraq would likely make consumers much more confident. Downside risks persist, however, stemming from rising employee benefit costs, high housing prices, and the trade and federal budget deficits.

For several years, rising home values have added fuel to consumer spending and residential construction. Rapid home price appreciation was the main reason for sustained consumer spending during the 2001 recession. Driven by historically low mortgage interest rates, and an improving economy, national home values rose nearly 8 percent during the first three quarters of 2004, the greatest appreciation since 1981. This came on top of a nearly 6 percent gain in 2003. Rising home prices, though, have outstripped the growth of income for the past four years. This raises the potential for a slowdown in real estate appreciation and, thus, the removal of a major stimulus for consumer spending. An actual decline in real estate values, of course, would have severe impacts on household balance sheets that could lead to a serious slowdown in consumption. However, that is not being forecast.

The nation's trade and federal budget deficits present potentially serious threats to economic growth, although not so much within the forecast horizon. A stubborn and record-setting trade deficit is resulting in a falling dollar, which, while stimulating exports, drives up inflation through higher import prices. Even though the value of the dollar has dropped considerably, it has not been enough to make an appreciable dent in the trade deficit.

## California—Stronger Growth

The California economy also strengthened in 2004. Broad economic measures like personal income and taxable sales grew more quickly. Exports of made-in-California merchandise posted a good gain after plummeting for three years. Residential construction increased again. New business incorporations accelerated.

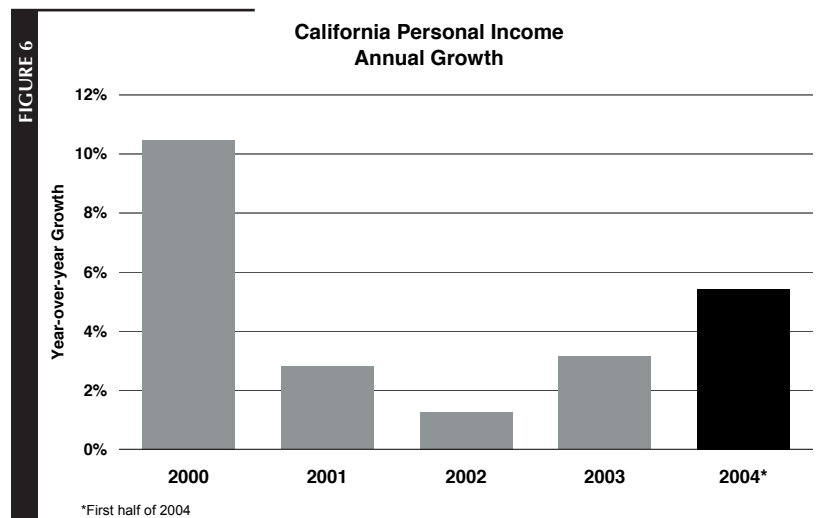
Personal income—income received by California residents from all sources—was up 5.4 percent from a year earlier in the first half of 2004. A year earlier, personal income was up only 2.4 percent. On this broad measure, the state is doing a little better than the nation, where personal income grew by 5.1 percent in the first half of 2004 and 2.3 percent in the first half of 2003 (Figure 6).

Statewide taxable sales also grew more quickly in the first half of 2004, with sales 6.1 percent higher than in the first half of 2003. In the first half of 2003, they rose only 3.3 percent. The most recent Economic Outlook Budget Summary 2005-06 23 data on county taxable sales show that sales in the Bay Area rose for the second consecutive quarter in the fourth quarter of 2003. Before then, the Bay Area suffered nine consecutive quarters of year-over-year declines.

Made-in-California merchandise exports began to turn around in the fourth quarter of 2003 after falling by 26 percent in the preceding three years. In the first three quarters of 2004, exports were 20 percent higher than a year earlier. Increased exports to Mexico, mainland China, Japan, South Korea, France, Singapore, Hong Kong, Taiwan, and the United Kingdom were instrumental in the turnaround. Exports of computer and electronic products, transportation equipment, and machinery (except electrical) accounted for over three-quarters of the gain in total exports.

Like the nation, California enjoyed better job gains in 2004. In the first 11 months of 2004, California nonfarm payroll employment was 0.9 percent higher than a year earlier. In the first 11 months of 2003, in contrast, nonfarm payroll employment was 0.4 percent lower than a year earlier. The improvement in 2004 was due primarily to better job growth in construction; trade, transportation, and utilities; and the information industries. There were also smaller declines in manufacturing employment. Limiting the improvement in job growth in 2004 were larger declines in government employment and smaller gains in employment in the financial sector.

In addition, the state's unemployment rate and the number of unemployed persons fell during 2004. However, the labor force participation rate—the percent of the civilian noninstitutional population in the labor force—remained low.



The San Francisco Bay Area passed a milestone in the second half of the year when it began to gain jobs for the first time in almost four years. The California recession during the early 2000s was concentrated in the Bay Area. While nonfarm payroll employment remains depressed, the region should contribute to state job growth going forward.

Construction was up in the first 11 months of 2004. Housing permits issuance (number of units) rose by 6.6 percent in the first 11 months of 2004 from the same months in 2003. Single-family permits were up 9.3 percent, while multi-family permits were up 0.1 percent. Los Angeles and San Bernardino Counties recorded the largest absolute gains while much of the San Joaquin Valley experienced large percentage increases. Permits were down in the San Francisco Bay Area and the Central Coast.

The dollar value of private nonresidential construction permits rose by 12.4 percent in the first 11 months of 2004 compared to the same period a year ago. These permits fell by more than a quarter from 2000 to 2003. New permits for retail and office space and alterations and additions contributed most to the rebound in 2004.

Public works construction was up slightly in the first ten months of 2004 with heavy construction up sharply, mostly due to a large increase in water and sewer works construction. Public building construction, however, was lower than a year ago despite stronger spending for school and community college buildings.

California housing markets continued to set new records in 2004, with sales up 4.1 percent and median prices up 20.9 percent in the state in the first 11 months, according to data compiled by DataQuick Information Systems. Most of the sales gain was in the first half of the year when sales were up 9.8 percent. During the July-to-November period, sales were off by 1.6 percent compared to the same five-month period a year ago. Year-over-year price gains have remained stable at the 19 to 23 percent level all year.

Commercial real estate markets generally improved. Of the metropolitan areas surveyed by CB Richard Ellis, Orange, San Diego, and Ventura Counties were among the five counties in the nation with the lowest office vacancy rates in the third quarter of 2004. San Francisco, San Jose, and Oakland continued to have above-average vacancy rates, but San Francisco and San Jose vacancy rates declined appreciably over the last year. Industrial vacancy was well below the national average in Orange and Los Angeles Counties but above the national average in San Francisco, San Diego, and Sacramento in the third quarter. Vacancy in the latter two jumped over the last year.

California's tourism and convention business continued to improve in 2004. Convention bookings were up in San Francisco, Anaheim, and San Diego, while lagging in Los Angeles. Non-convention related tourism was stronger in all four major markets. Hotel and motel occupancy rates improved in all major markets, and average daily room rates also increased. Passenger traffic was up at all major airports. Los Angeles International and San Francisco International experienced double-digit increases in both domestic and international travelers. Far East visitors returned in numbers, and business travel rebounded.

The State's economic fate is closely tied to the nation's. In the coming year, U.S. output growth is projected to slow somewhat, but wage and salary and personal income growth will pick up slightly. California will track the national economy on these measures.

Personal income growth is estimated to have grown by 5.6 percent in 2004 and is forecasted to expand by 5.8 percent in 2005, 6 percent in 2006, and 5.8 percent in 2007—all slightly faster than the corresponding rates for the nation. The improvement reflects better job growth, increases in base wages and salaries, and a stock market-induced increase in bonus and stock option income in the next three years.

Nonfarm employment, which is on track to grow by 1 percent in 2004, is projected to grow by 1.8 percent in both 2005 and 2006 and 1.7 percent in 2007. The strongest growth in 2005 is expected in construction, aerospace products and parts manufacturing, transportation and warehousing, motion picture and sound recording, professional and business services, and private educational and health services. The state's unemployment rate is forecast to average 6.2 percent in 2005, unchanged from 2004.

Home building will slow somewhat in 2005, 2006, and 2007 after exceeding 200,000 units permitted in 2004. Higher mortgage rates will take some steam out of home sales.

Figure 7 provides selected economic data for 2004, 2005, and 2006.

FIGURE 7	Selected Economic Data for 2004, 2005, and 2006			
	United States	2004 (Est.)	2005 (Projected)	2006 (Projected)
Real gross domestic product (2000 CW* \$, percent change)		4.4	3.3	3.0
Personal consumption expenditures		3.6	2.9	3.0
Gross private domestic investment		13.3	5.0	1.7
Government purchases of goods and services		2.2	2.5	1.7
GDP deflator (2000=100, percent change)		2.1	2.0	1.8
GDP (current dollar, percent change)		6.6	5.4	4.8
Federal funds rate (percent)		1.3	2.6	3.4
Personal income (percent change)		5.2	4.9	5.4
Corporate profits before taxes (percent change)		13.5	35.0	1.4
Nonfarm wage and salary employment (millions)		131.3	133.5	135.1
(percent change)		1.0	1.7	1.2
Unemployment rate (percent)		5.5	5.3	5.5
Housing starts (millions)		1.9	1.8	1.7
(percent change)		4.8	(5.5)	(7.7)
New car sales (millions)		7.5	7.6	7.5
(percent change)		(1.9)	1.5	(1.0)
Consumer price index (1982-84=100)		188.8	193.2	196.9
(percent change)		2.6	2.3	2.0
<b>California</b>				
Civilian labor force (thousands)		17,658	17,991	18,311
(percent change)		1.1	1.9	1.8
Civilian employment (thousands)		16,569	16,871	17,149
(percent change)		1.8	1.8	1.6
Unemployment (thousands)		1,089	1,119	1,162
(percent change)		(7.6)	2.8	3.8
Unemployment rate (percent)		6.2	6.2	6.3
Nonfarm wage and salary employment (thousands)		14,558	14,824	15,087
(percent change)		1.0	1.8	1.8
Personal income (billions)		\$1,252.1	\$1,324.1	\$1,404.0
(percent change)		5.6	5.8	6.0
Housing units authorized (thousands)		210.0	199.0	195.0
(percent change)		6.2	(5.3)	(1.8)
Corporate profits before taxes (billions)		\$117.8	\$127.8	\$133.0
(percent change)		16.7	8.5	4.0
New auto registrations (thousands)		1736.0	1722.0	1787.0
(percent change)		0.0	(0.8)	3.8
Total taxable sales (billions)		\$486.1	\$513.7	\$542.3
(percent change)		5.7	5.7	5.6
Consumer price index (1982-84=100)		195.5	201.1	206.2
(percent change)		2.7	2.9	2.5
* CW: Chain Weighted				
Note: Percentage changes calculated from unrounded data.				

## Select Indicators

	2004				2005	Year-Over
	Jan	Oct	Nov	Dec	Jan	% Change
<b>EMPLOYMENT (Seasonally adjusted)</b>						
Civilian employment (000)	16,319	16,575	16,592	16,580	16,591	1.7%
Unemployment (000)	1,143	1,061	1,056	1,051	1,017	-11.1%
Unemployment rate	6.5	6.0	6.0	6.0	5.8	--
Nonagricultural wage and salary employment (000) a/	14,429.7	14,633.6	14,656.4	14,645.5	14,665.5	1.6%
Goods-producing industries	2,376.6	2,417.7	2,422.8	2,428.6	2,432.0	2.3%
Natural resources and mining	23.0	23.0	23.1	23.2	22.9	-0.4%
Construction	821.6	860.2	865.8	870.3	870.8	6.0%
Manufacturing	1,532.0	1,534.5	1,533.9	1,535.1	1,538.3	0.4%
Service-providing industries	12,053.1	12,215.9	12,233.6	12,216.9	12,233.5	1.5%
Trade, transportation, and utilities	2,723.5	2,771.3	2,780.8	2,778.9	2,773.4	1.8%
Information	485.6	482.6	491.3	479.1	476.3	-1.9%
Financial activities	894.1	911.2	913.5	916.4	917.8	2.7%
Professional and business services	2,069.5	2,130.2	2,128.3	2,130.4	2,131.9	3.0%
Educational and health services	1,552.0	1,567.3	1,570.4	1,571.1	1,574.8	1.5%
Leisure and hospitality	1,428.0	1,455.8	1,455.8	1,454.0	1,468.8	2.9%
Other services	503.7	506.7	506.2	506.2	507.3	0.7%
Government	2,396.7	2,390.8	2,387.3	2,380.8	2,383.2	-0.6%
High-technology industries b/	857.4	868.5	870.7	872.5	870.6	1.5%
Computer and electronic products manufacturing	317.7	323.5	323.5	324.7	323.5	1.8%
Aerospace products and parts manufacturing	72.6	74.4	74.8	75.2	75.5	4.0%
Software publishers	42.9	42.7	42.9	42.6	42.7	-0.5%
Telecommunications	119.8	118.6	119.1	118.9	119.4	-0.3%
Internet service providers	46.7	48.0	48.0	48.0	48.3	3.4%
Computer systems design	165.3	167.8	168.4	168.8	167.3	1.2%
Scientific research and development	92.4	93.5	94.0	94.3	93.9	1.6%
<b>HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)</b>						
Average weekly hours	39.5	39.9	40.2	40.4	n.a.	--
Average weekly earnings	\$602.77	\$615.26	\$622.70	\$630.64	n.a.	--
Average hourly earnings	\$15.26	\$15.42	\$15.49	\$15.61	n.a.	--
<b>CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)</b>						
All Urban Consumers Series						
California Average	n.a.	198.0	n.a.	197.0	n.a.	--
San Francisco CMSA	n.a.	200.3	n.a.	199.5	n.a.	--
Los Angeles CMSA	188.5	196.3	196.9	195.2	195.4	3.7%
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	191.6	n.a.	190.5	n.a.	--
San Francisco CMSA	n.a.	196.4	n.a.	195.9	n.a.	--
Los Angeles CMSA	181.7	189.8	190.3	188.5	188.5	3.7%
<b>CONSTRUCTION</b>						
Private residential housing units authorized (000) c/	196	176	257	227	183	-7.1%
Single units	158	128	164	145	136	-14.0%
Multiple units	39	48	93	82	47	21.0%
Residential building authorized valuation (millions) d/	\$41,693	\$38,039	\$51,658	\$44,207	\$38,580	-7.5%
Nonresidential building authorized valuation (millions) d/	\$13,445	\$14,246	\$16,217	\$16,046	\$15,269	13.6%
Nonresidential building authorized valuation (millions) e/	958	1,308	1,178	1,284	1,084	13.2%
Commercial	297	370	388	484	284	-4.2%
Industrial	82	185	116	116	119	45.7%
Other	194	243	239	225	183	-6.1%
Alterations and additions	385	511	435	459	498	29.4%
<b>AUTO SALES (Seasonally adjusted)</b>						
New auto registrations (number)	142,566	148,480	n.a.	n.a.	n.a.	--

a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).

b/ Not seasonally adjusted

c/ Seasonally adjusted at annual rate

d/ Seasonally adjusted

e/ Not seasonally adjusted

n.a. Not available



## Select Indicators *Continued*

### VACANCY RATES FOR FOURTH QUARTER 2004 (Percent)

	Office Downtown		Office Suburban		Office Total		Industrial	
	4Q04	4Q03	4Q04	4Q03	4Q04	4Q03	4Q04	4Q03
Northern and Central California:								
Oakland	14.9	16.8	16.7	17.3	16.3	17.2	n.a.	n.a.
Sacramento	13.8	12.0	14.0	13.2	13.9	12.9	15.9	13.2
San Francisco	15.2	18.5	23.0	25.1	17.6	20.6	13.8	13.1
San Jose	18.4	17.3	18.3	19.9	18.4	19.3	n.a.	n.a.
Southern California:								
Los Angeles Metro	16.7	17.4	12.7	14.7	13.4	15.2	8.1	9.0
Orange County	n.a.	n.a.	10.4	13.5	10.4	13.5	8.7	9.9
San Diego	9.5	10.7	9.9	11.7	9.8	11.5	11.1	11.2
Ventura County	n.a.	n.a.	9.0	11.1	9.0	11.1	n.a.	n.a.
National Average	14.2	14.5	17.1	18.0	16.0	16.7	11.0	11.6

### FOREIGN TRADE THROUGH CALIFORNIA PORTS

#### SALES OF EXISTING SINGLE-FAMILY HOMES

		Median Price	Units (SAAR)
2001	Jan	\$244,110	502,800
	Feb	241,690	486,370
	Mar	257,550	518,410
	Apr	255,310	495,390
	May	255,860	505,590
	Jun	266,930	526,570
	Jul	267,520	503,030
	Aug	282,420	571,070
	Sep	275,620	475,380
	Oct	263,020	494,920
	Nov	270,210	493,870
	Dec	281,330	474,490
2002	Jan	\$287,080	584,250
	Feb	294,870	610,380
	Mar	305,840	586,230
	Apr	317,120	643,030
	May	319,590	620,300
	Jun	324,640	533,840
	Jul	321,900	540,800
	Aug	334,270	562,780
	Sep	322,450	493,800
	Oct	324,670	579,240
	Nov	328,440	542,120
	Dec	338,840	573,790
2003	Jan	\$336,210	584,600
	Feb	326,640	566,890
	Mar	352,780	567,610
	Apr	364,040	583,330
	May	367,630	572,260
	Jun	374,540	572,130
	Jul	381,940	595,860
	Aug	400,020	645,720
	Sep	384,690	631,880
	Oct	379,120	636,690
	Nov	384,470	627,190
	Dec	401,720	637,080
2004	Jan	\$406,220	615,660
	Feb	395,060	589,220
	Mar	428,570	590,220
	Apr	453,590	640,710
	May	463,690	632,380
	Jun	468,620	633,670
	Jul	463,540	639,910
	Aug	473,360	591,150
	Sep	463,620	626,220
	Oct	459,800	639,570
	Nov	471,980	652,340
	Dec	474,480	645,860

#### Exports Imports (\$ millions)

	Exports	Imports
2001	\$12,284	\$19,173
Feb	11,595	16,201
Mar	12,390	19,475
Apr	10,492	17,624
May	10,948	16,885
Jun	10,721	18,274
Jul	9,890	18,206
Aug	10,288	18,277
Sep	9,634	17,585
Oct	10,038	19,532
Nov	9,315	17,184
Dec	9,659	15,525
2002	\$8,688	\$15,517
Feb	8,429	15,768
Mar	9,945	16,318
Apr	9,274	17,807
May	9,814	17,568
Jun	9,984	18,988
Jul	9,335	18,998
Aug	9,948	19,686
Sep	9,286	19,478
Oct	8,794	18,753
Nov	9,046	20,522
Dec	8,797	19,060
2003	\$8,408	\$17,588
Feb	8,423	16,359
Mar	9,784	18,789
Apr	9,158	19,151
May	9,090	18,537
Jun	9,743	19,774
Jul	9,604	20,743
Aug	9,626	19,846
Sep	8,968	21,060
Oct	10,341	23,021
Nov	9,969	21,320
Dec	10,437	20,528
2004	\$9,062	\$19,996
Feb	9,536	18,011
Mar	11,420	22,589
Apr	10,249	21,722
May	10,460	21,760
Jun	10,481	23,971
Jul	10,388	24,162
Aug	10,118	24,127
Sep	10,446	23,974
Oct	10,460	25,279
Nov	9,789	25,769
Dec	n.a.	n.a.

#### DOD PRIME CONTRACTS a/

	\$ millions	% of U.S.
1981-82	\$22,685	21.8%
1982-83	26,387	22.2%
1983-84	28,520	23.0%
1984-85	29,115	20.8%
1985-86	27,738	20.4%
1986-87	24,515	18.4%
1987-88	23,458	18.7%
1988-89	23,125	19.3%
1989-90	22,312	18.4%
1990-91	24,265	19.5%
1991-92	23,843	21.2%
1992-93	22,952	20.1%
1993-94	22,573	20.5%
1994-95	18,277	16.8%
1995-96	18,230	16.7%
1996-97	18,477	17.3%
1997-98	17,401	15.9%
1998-99	17,372	15.1%
1999-00	18,100	14.7%
2000-01	19,939	14.7%
2001-02	23,816	15.0%
2002-03	28,681	15.0%
2003-04	27,875	13.7%

a/ U.S. fiscal year: October through September

n.a. Not available

## Leading Indicators/<sup>a</sup>

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Initial Claims	Incorporations	(Thousands)
2001	Jan	4.1	39.9	47,065	7,556	200.7
	Feb	4.2	40.2	51,343	6,436	136.3
	Mar	4.0	39.9	53,726	6,574	144.5
	Apr	3.5	39.5	53,017	6,239	153.3
	May	3.8	39.7	56,205	6,757	152.5
	Jun	3.8	39.3	55,053	6,425	147.6
	Jul	3.8	39.5	55,764	6,532	130.3
	Aug	3.9	39.6	57,542	7,243	160.8
	Sep	3.9	39.5	59,829	5,893	114.7
	Oct	3.7	39.3	64,090	7,002	139.7
	Nov	3.6	39.0	57,914	7,315	142.1
	Dec	3.7	39.3	47,557	6,912	163.6
2002	Jan	3.8	39.0	66,867	7,283	155.4
	Feb	4.0	39.5	55,653	6,867	162.1
	Mar	4.1	40.0	60,564	7,381	144.4
	Apr	4.1	40.0	64,132	7,348	163.0
	May	4.1	39.7	60,539	8,597	157.1
	Jun	4.1	39.9	59,679	6,988	149.7
	Jul	4.0	39.3	63,104	7,252	181.5
	Aug	4.0	39.8	61,589	7,552	166.9
	Sep	3.9	39.8	61,305	7,285	184.9
	Oct	3.7	39.5	63,105	8,053	203.3
	Nov	3.9	39.6	58,190	7,545	191.1
	Dec	3.9	39.7	58,106	7,736	151.9
2003	Jan	3.9	39.7	60,938	7,430	193.0
	Feb	4.0	39.9	58,324	8,677	249.9
	Mar	3.7	39.8	58,847	7,242	183.2
	Apr	3.7	39.8	65,902	7,875	188.9
	May	3.8	39.9	60,158	7,864	210.3
	Jun	3.7	39.9	61,883	7,873	177.6
	Jul	3.9	39.5	61,862	8,026	200.0
	Aug	3.8	39.5	58,148	7,045	178.6
	Sep	3.9	39.4	58,124	8,267	194.7
	Oct	3.7	39.5	60,267	7,952	210.2
	Nov	4.1	40.1	53,659	7,474	188.9
	Dec	3.9	39.4	50,224	8,424	194.9
2004	Jan	4.0	40.1	50,745	8,086	196.4
	Feb	4.2	40.3	49,833	8,715	206.1
	Mar	4.2	40.3	48,368	8,573	226.7
	Apr	4.5	40.1	51,481	8,428	201.7
	May	4.6	40.5	45,693	8,291	199.4
	Jun	4.2	39.9	50,863	8,905	222.2
	Jul	4.5	40.2	49,736	8,376	202.6
	Aug	4.2	40.1	48,017	8,310	207.1
	Sep	4.0	39.2	47,497	8,571	227.8
	Oct	4.1	39.6	46,314	7,704	176.0
	Nov	4.4	39.8	46,074	8,979	257.2
	Dec	4.3	39.7	47,379	9,263	226.7
2004	Jan	n.a.	n.a.	n.a.	n.a.	182.6

a/ Seasonally adjusted by the California Department of Finance.

n.a. Not available

## Coincident Indicators/<sup>a</sup>

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2001	Jan	14,725	1,874	4.7	354
	Feb	14,724	1,866	4.7	356
	Mar	14,730	1,856	4.8	364
	Apr	14,667	1,831	5.0	386
	May	14,644	1,812	5.1	413
	Jun	14,632	1,797	5.3	421
	Jul	14,571	1,777	5.4	445
	Aug	14,581	1,761	5.6	471
	Sep	14,528	1,740	5.8	478
	Oct	14,513	1,724	6.0	524
	Nov	14,478	1,704	6.3	512
	Dec	14,448	1,690	6.4	520
2002	Jan	14,440	1,674	6.5	511
	Feb	14,449	1,666	6.6	538
	Mar	14,472	1,662	6.7	527
	Apr	14,460	1,656	6.7	541
	May	14,474	1,652	6.7	553
	Jun	14,459	1,646	6.8	542
	Jul	14,434	1,637	6.7	549
	Aug	14,455	1,629	6.7	530
	Sep	14,448	1,622	6.7	541
	Oct	14,468	1,615	6.7	541
	Nov	14,484	1,606	6.8	509
	Dec	14,455	1,595	6.8	517
2003	Jan	14,440	1,585	6.9	509
	Feb	14,422	1,575	6.8	514
	Mar	14,393	1,565	6.8	511
	Apr	14,389	1,559	6.9	571
	May	14,381	1,550	6.9	540
	Jun	14,371	1,544	6.9	552
	Jul	14,363	1,537	6.9	555
	Aug	14,379	1,536	6.9	535
	Sep	14,369	1,535	6.8	539
	Oct	14,414	1,531	6.8	520
	Nov	14,396	1,529	6.7	509
	Dec	14,393	1,529	6.7	510
2004	Jan	14,430	1,532	6.5	446
	Feb	14,447	1,530	6.4	445
	Mar	14,455	1,528	6.4	434
	Apr	14,476	1,530	6.4	442
	May	14,484	1,530	6.3	413
	Jun	14,479	1,527	6.3	452
	Jul	14,594	1,547	6.2	406
	Aug	14,586	1,539	6.1	425
	Sep	14,581	1,531	6.1	429
	Oct	14,634	1,535	6.0	393
	Nov	14,656	1,534	6.0	401
	Dec	14,646	1,535	6.0	404
2005	Jan	14,666	1,538	5.8	n.a.

		Personal Income (\$ millions)	Total Wages & Salaries (\$ millions)	Taxable Sales (\$ millions)
2001	Qtr I	\$1,153,563	\$661,546	\$111,989
	Qtr II	1,139,669	650,479	111,275
	Qtr III	1,125,898	637,461	108,517
	Qtr IV	1,120,405	632,752	109,442
2002	Qtr I	\$1,133,441	\$637,434	\$108,528
	Qtr II	1,148,301	641,008	109,986
	Qtr III	1,153,479	641,928	111,384
	Qtr IV	1,161,353	647,397	110,449
2003	Qtr I	\$1,161,968	\$645,093	\$112,286
	Qtr II	1,175,472	652,247	113,415
	Qtr III	1,190,584	661,284	117,636
	Qtr IV	1,213,183	674,618	116,022
2004	Qtr I	\$1,221,673	\$679,545	\$119,072
	Qtr II	1,242,847	688,005	120,294

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.  
n.a. Not available

## ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

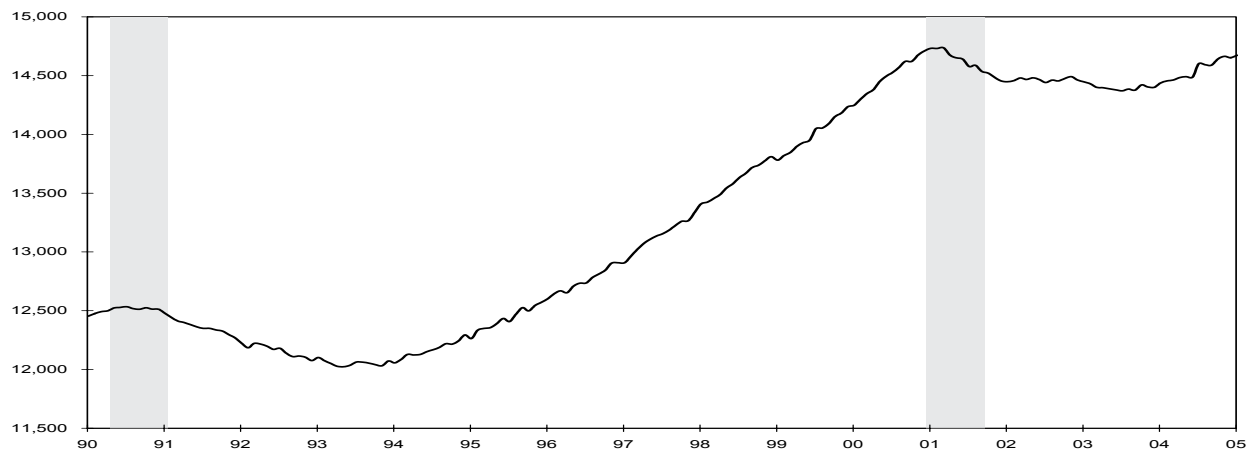
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

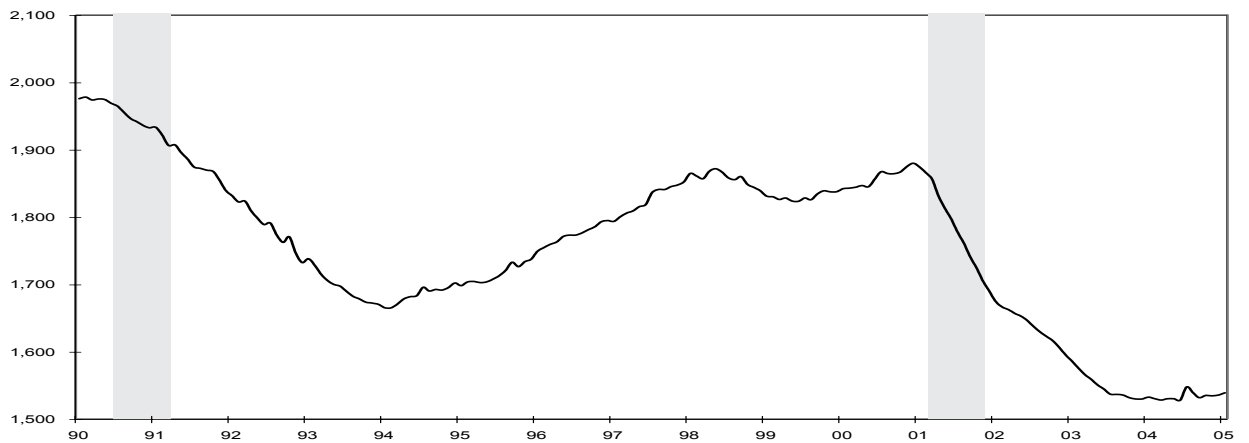
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

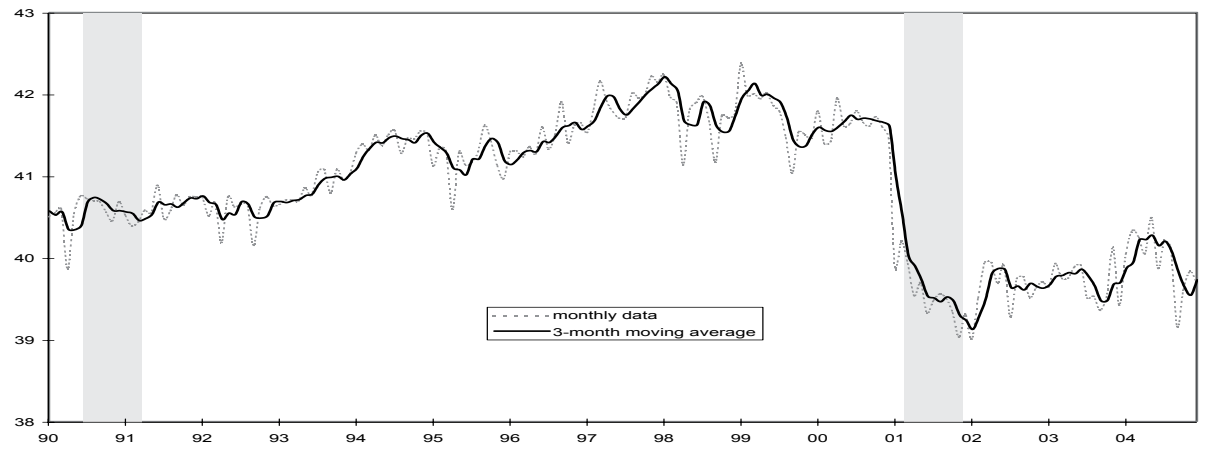
**Nonagricultural  
Employment**  
(thousands,  
Seasonally Adjusted)



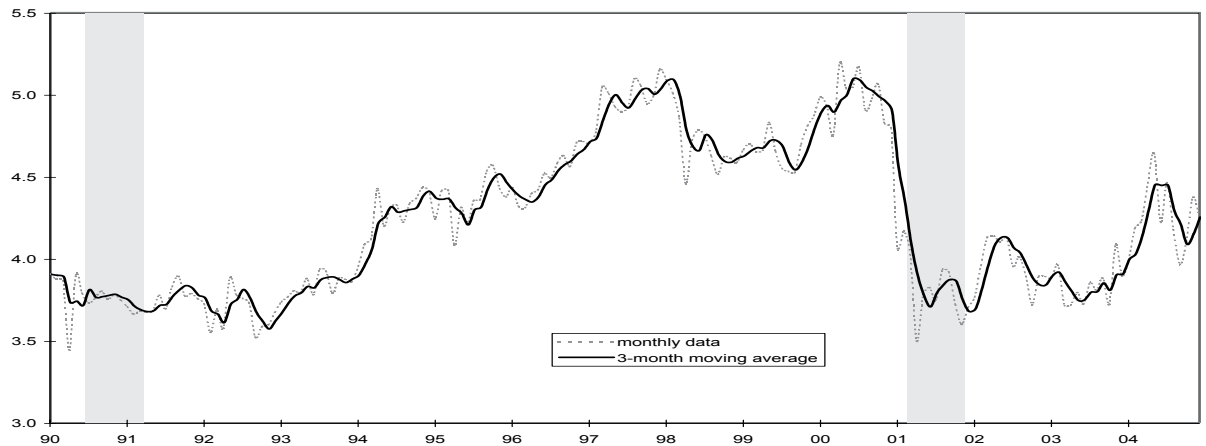
**Manufacturing  
Employment**  
(thousands,  
Seasonally Adjusted)



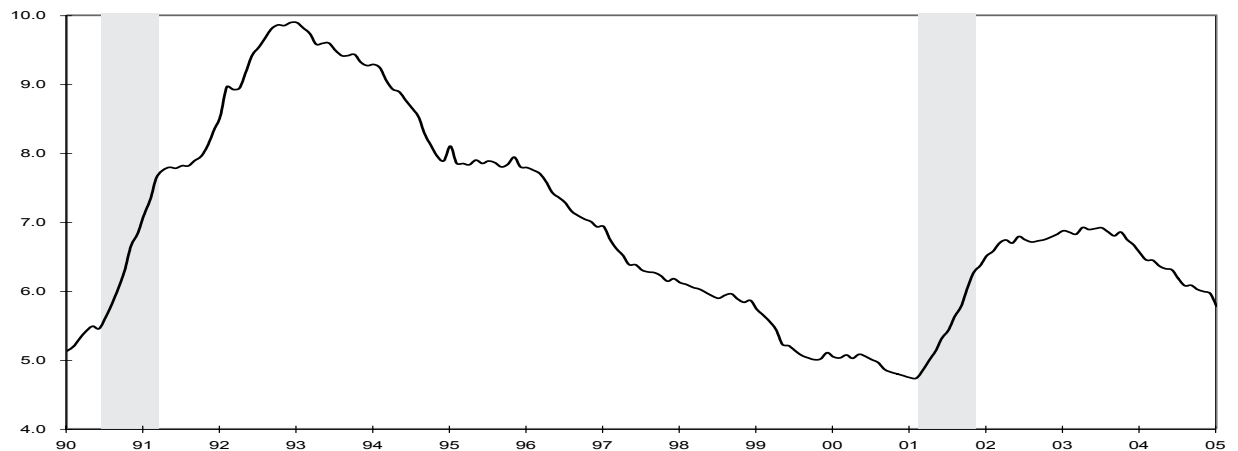
Average  
Weekly Hours,  
Manufacturing  
(Seasonally Adjusted)



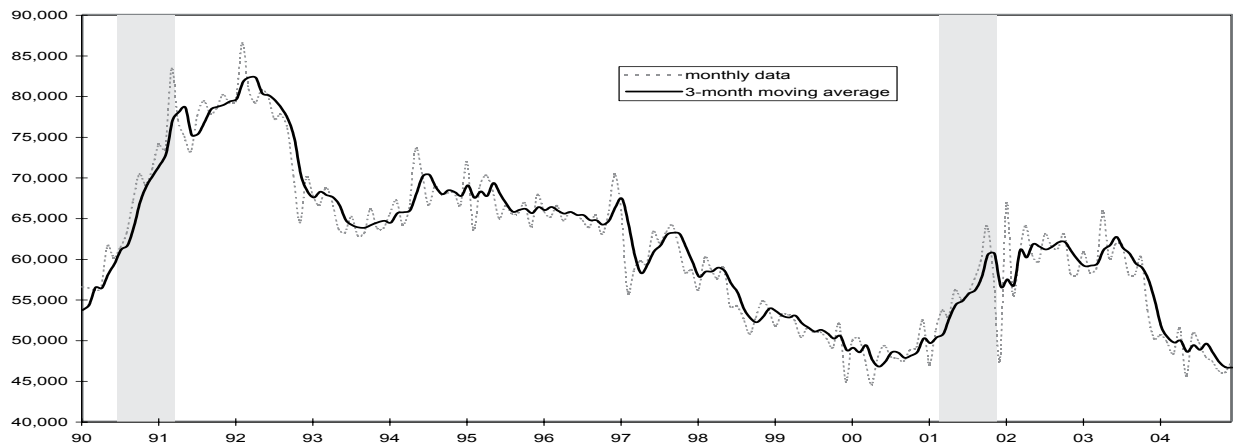
Average  
Overtime Hours,  
Manufacturing  
(Seasonally Adjusted)



Unemployment  
Rate  
(Percent)

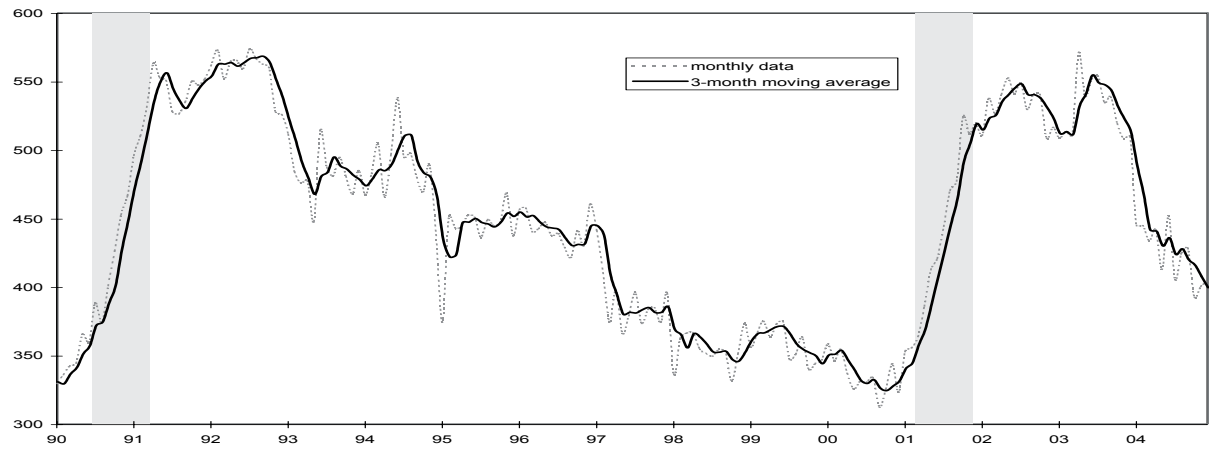


Initial &  
Transitional  
Claims for  
Unemployment  
Insurance  
(Weekly Average,  
Seasonally Adjusted)

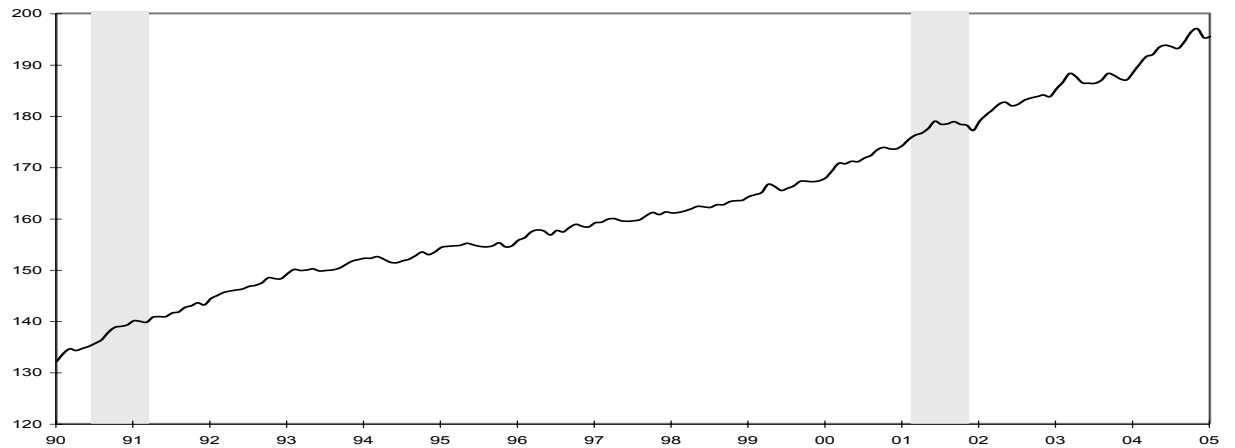




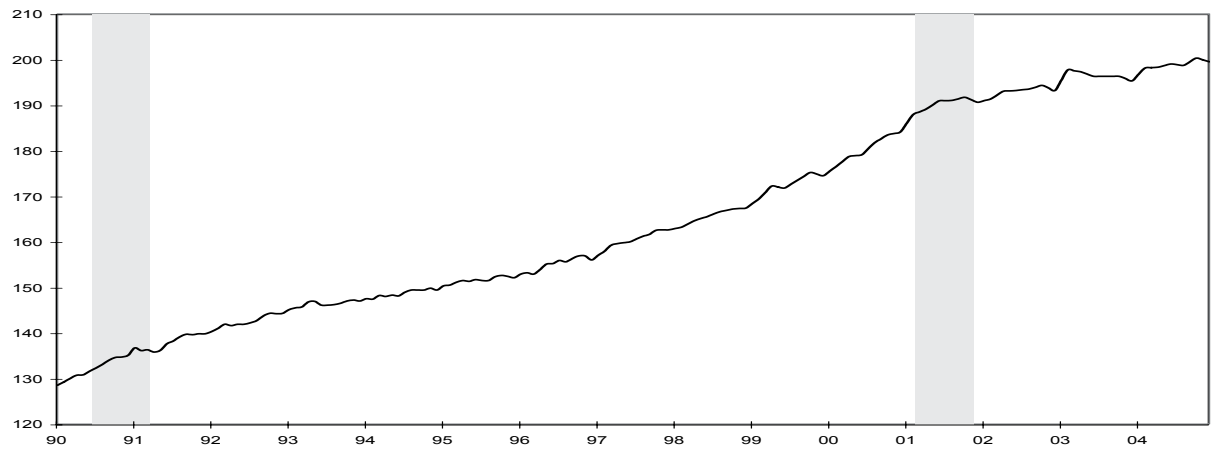
Unemployment,  
Average Weeks  
Claimed  
( thousands,  
Seasonally Adjusted)



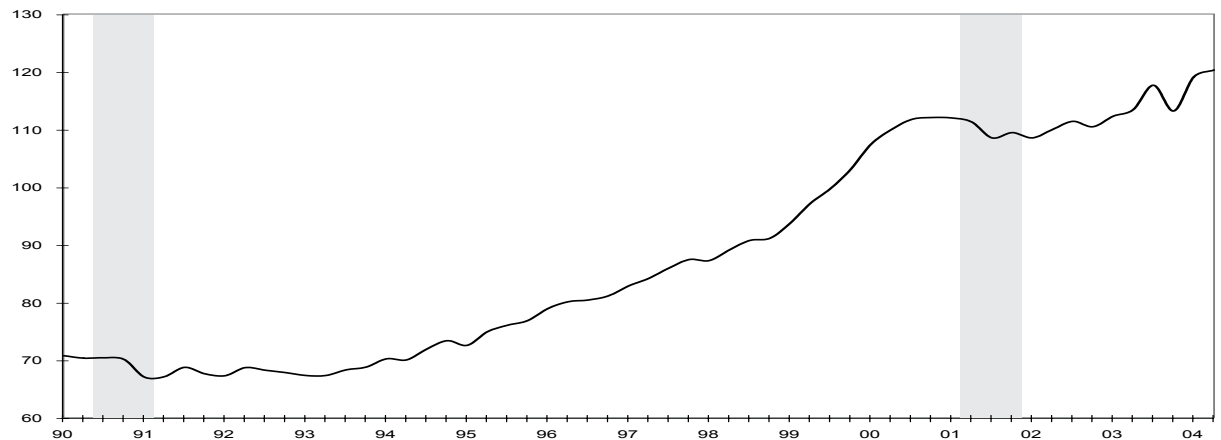
Consumer  
Price Index,  
Los Angeles  
(1982-84=100)



Consumer  
Price Index,  
San Francisco  
(1982-84=100)

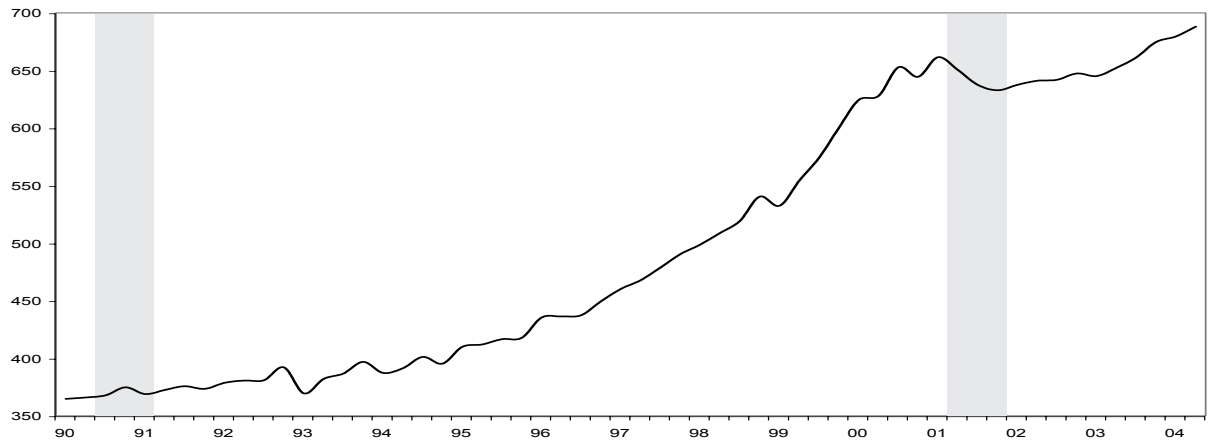


Taxable Sales  
(Dollars in billions,  
Seasonally Adjusted)



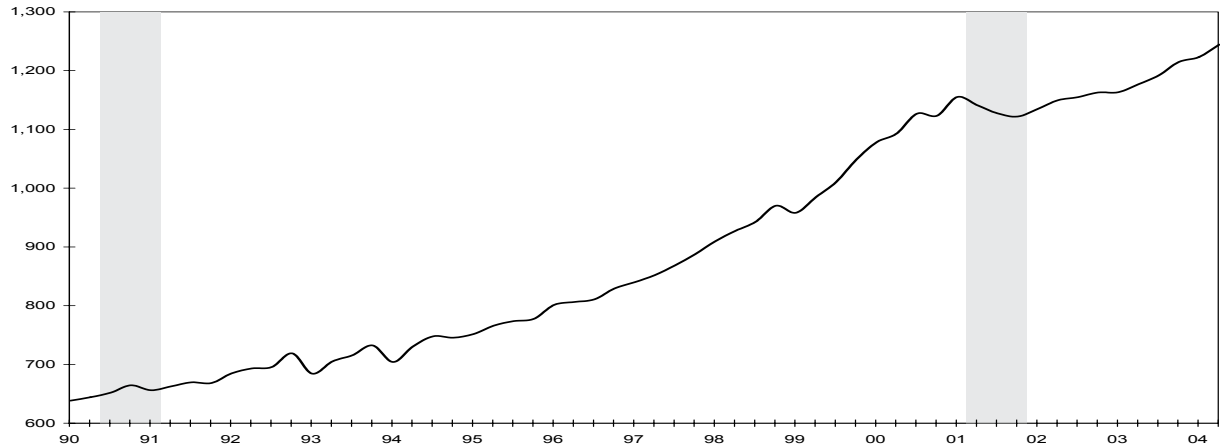
## Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



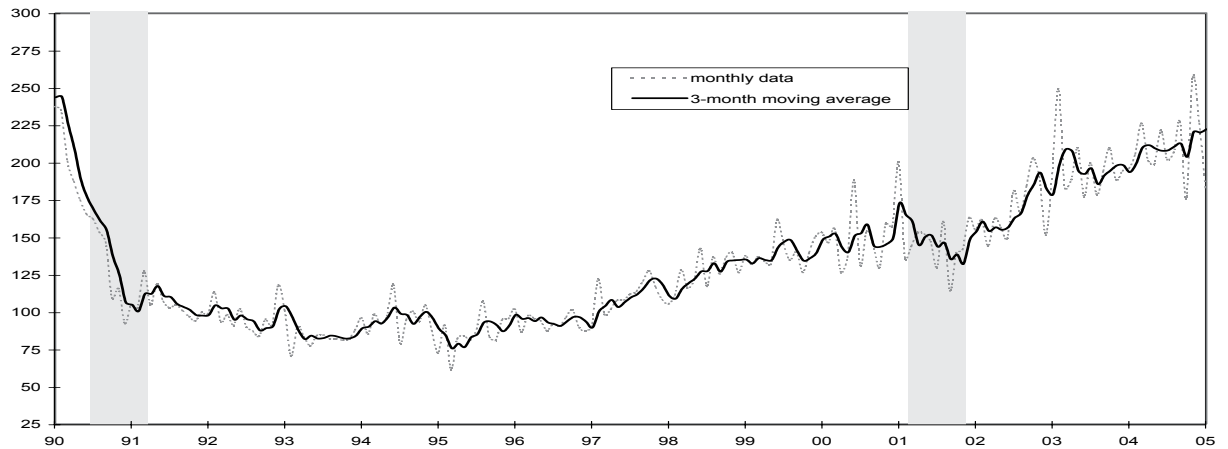
## Personal Income

(Dollars in billions, Seasonally Adjusted)



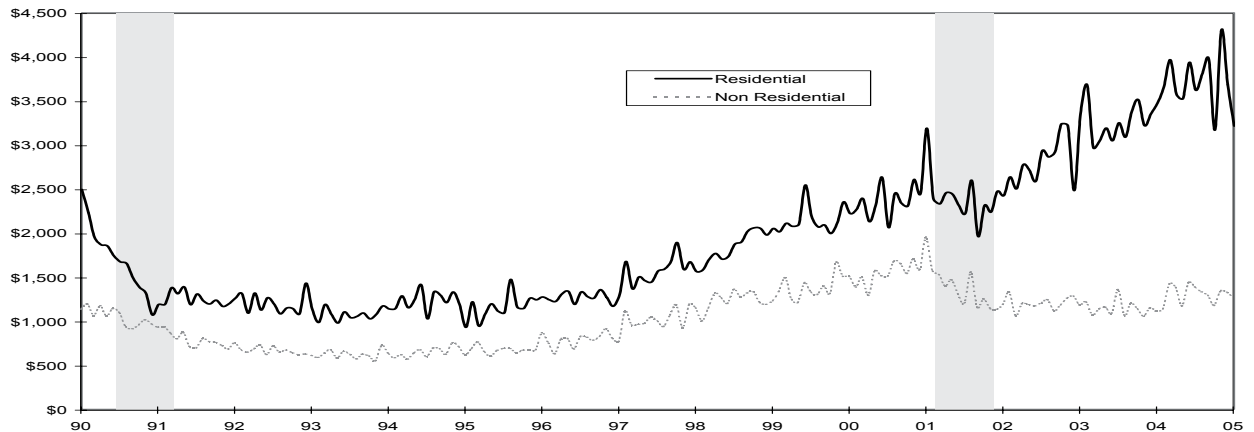
## New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)

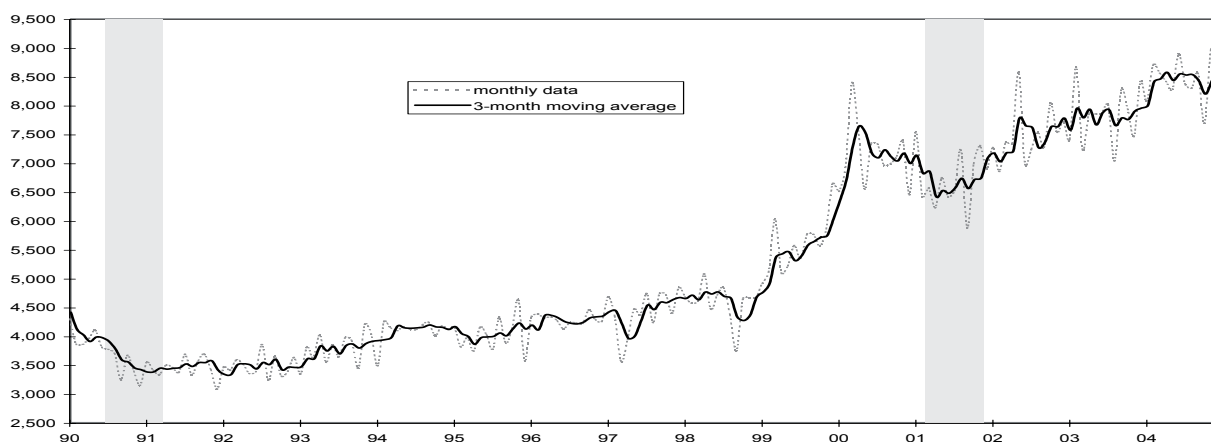


## Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



## New Business Incorporations (Seasonally Adjusted)



## BUSINESS CYCLES

### REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-2001

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100
March	1991	March	2001	Nov.	2001	120	8	128

---

## ■ CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: [www.dof.ca.gov](http://www.dof.ca.gov)

### 2002

---

<b>January 1</b>	Taiwan becomes WTO member. OPEC to cut oil production by 6.5 percent. Euro becomes legal tender in 12 European countries.
<b>January 6</b>	Unemployment insurance benefits increased in California.
<b>February 28</b>	GDP up 1.4 percent in Q4.
<b>March 9</b>	California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
<b>March 28</b>	GDP up 1.7 percent in Q4.
<b>April 25</b>	Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.
<b>May 13</b>	President Bush signed a 10-year, \$190 billion farm bill that promises to expand subsidies to growers.
<b>June 27</b>	GDP up 6.1 percent in Q1.
<b>July 5</b>	Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.
<b>July 8</b>	Intel launches its Itanium 2 chip.
<b>July 10</b>	President Bush called for stiffer penalties to eradicate corporate fraud.
<b>July 15</b>	Pfizer to buy Pharmacia.
<b>July 16</b>	The dollar sank against the euro for the first time in more than two years. Intel to eliminate 4,000 jobs.
<b>July 21</b>	WorldCom filed for bankruptcy protection.
<b>July 22</b>	The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.
<b>July 30</b>	President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.
<b>July 31</b>	GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters. Venture capital investments hit four-year low.
<b>August 8</b>	IMF signed an emergency loan to Brazil.
<b>August 11</b>	U.S. Airways filed for bankruptcy.
<b>August 20</b>	The U.S. trade deficit narrowed in June, following two straight record monthly deficits.
<b>September 27 –October 9</b>	Cargo operations at 29 West Coast ports ground to a halt when terminal operators locked out unionized workers.
<b>November 6</b>	Federal funds rate reduced from 1.75 percent to 1.25 percent. Discount rate reduced from 1.25 percent to 0.75 percent.

**December 9** United Airlines filed for bankruptcy protection.  
**December 19** Standard & Poor's lowered California's bond rating to an A from an A+.

## 2003

**February 10** Moody's lowered California's bond rating to A2 from A1.  
**February 14–17** A major snowstorm hit the Middle Atlantic and Eastern states.  
**February 26** Doctors in Hong Kong report the first case of a flu-type virus "Atypical Pneumonia" now more commonly known as Severe Acute Respiratory Syndrome (SARS).  
**March 20** Operation Iraqi Freedom begins.  
**April 9** Baghdad falls and Iraqis and American troops topple statue of Saddam Hussein.  
**April 14** President Bush declares conclusion of major combat operations in Iraq.  
**June 25** Federal funds rate reduced from 1.25 percent to 1 percent, the lowest rate in 45 years.  
**June 26** GDP up 1.4 percent in Q1.  
**July 17** The US recession ended in November 2001, according to NBER.  
**July 24** S&P lowered California's bond rating from "A" to "BBB".  
**July 25** United States Treasury begins mailing \$400 per child tax rebate checks.  
**August 2** Governor Gray Davis signs the 2003-04 state budget bill.  
**August 4** Moody's lowered California's bond rating from A2 to A3.  
**August 28** GDP grew at a revised 3.1 percent annual rate in the 2nd quarter.  
**September 3** Light vehicle sales in the U.S. reach 19.0 million in August, the second best monthly rate ever.  
**October 21** Wildfires breakout in Southern California, eventually burning 743,000 acres and destroying over 3,500 homes.  
**October 30** GDP grew by 7.2 percent, its fastest rate since 1984.  
**December 4** President Bush ends steel tariffs.  
**December 12** Dow Jones Industrial average closed above 10,000 for the first time since May 24, 2002.  
**December 13** Saddam Hussein captured by American troops.  
**December 23** Final report shows GDP grew by 8.2 percent in the third quarter, its fastest rate since 1984.  
**December 24** U.S. confirms first case of "mad cow" disease.

## 2004

**February 10** Unexpected cut in OPEC quota and cold weather contribute to higher oil prices.  
**February 11** Dow Jones Industrials closed at highest level in more than 2½ years.  
**March 25** Fourth quarter GDP rose 4.1 percent.  
**April 30** International oil prices hit a 3½ year high.  
**May 21** Moody's raised California's credit rating from "Baa1" to "A3".  
**May 27** First quarter GDP grew at a 4.4 percent annual rate.  
**June 30** Federal funds rate increased by 25 basis points bringing the rate up to 1.25 percent. It is over four years since the Fed last tightened rates.  
**August 9** Fitch removes California from Rating Watch Negative.



<b>August 10</b>	Federal funds rate raised from 1.25 percent to 1.50 percent.
<b>August 24</b>	S&P raised California's credit rating from "BBB" to "A".
<b>August 27</b>	Second quarter GDP grew at a 2.8 percent annual rate.
<b>Mid-August</b>	Hurricane Charley hits Florida
<b>September</b>	Three powerful hurricanes (Frances, Ivan, and Jeanne) hit Florida and some neighboring states.
<b>September 21</b>	Federal funds rate raised from 1.50 percent to 1.75 percent.
<b>October 29</b>	GDP grew at a 3.7 percent rate in the third quarter.
<b>November 10</b>	Federal funds rate raised from 1.75 percent to 2.00 percent.
<b>December 14</b>	Federal funds rate raised from 2.00 percent to 2.25 percent.
<b>December 22</b>	GDP grew at a 4.0 percent annual rate in the third quarter.
<b>December 26</b>	A magnitude 9.0 earthquake — the largest in 40 years — struck the northern Indonesian island of Sumatra, triggering a tsunami that killed tens of thousands of people in more than 11 countries.

## 2005

---

<b>January 22-24</b>	Blizzards blanketed large parts of the Northeast.
<b>January 30</b>	Iraq held its first free election in half a century.
<b>February 2</b>	Federal funds rate raised from 2.25 percent to 2.50 percent.

RETURN ADDRESS

California  
Department  
of Finance

915 L Street  
Eighth Floor  
Sacramento, CA  
95814



TO

INTERNET AVAILABLE

You can obtain the  
California Economic  
Indicators, and other  
Department of Finance  
publications on the  
Internet at  
[www.dof.ca.gov](http://www.dof.ca.gov)

— ... —